



To worthwhile life

**Additional Materials for the Financial
Results for the
First Quarter of the Fiscal Year
Ending June 30, 2023**

**Japan Living Warranty Inc.
November 11, 2022
The Tokyo Stock Exchange
Growth Market (7320)**

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About JLW

Who is Japan Living Warranty Inc.?

- We are a WorthTech Company that maximizes the property value of living by innovative real-world and digital services.
- We are developing B-to-B businesses, led by “warranty” solutions, as our name implies.
- We have been expanding our business into non-housing areas since our foundation, on top of business development in the housing area, where our strength lies.
- We are promoting the expansion of business areas by employing unique service solutions as a weapon with digital services at the core.

We are a WorthTech Company.

**We are a WorthTech
Company that maximizes
the property value of living
by innovative real-world
and digital services.**

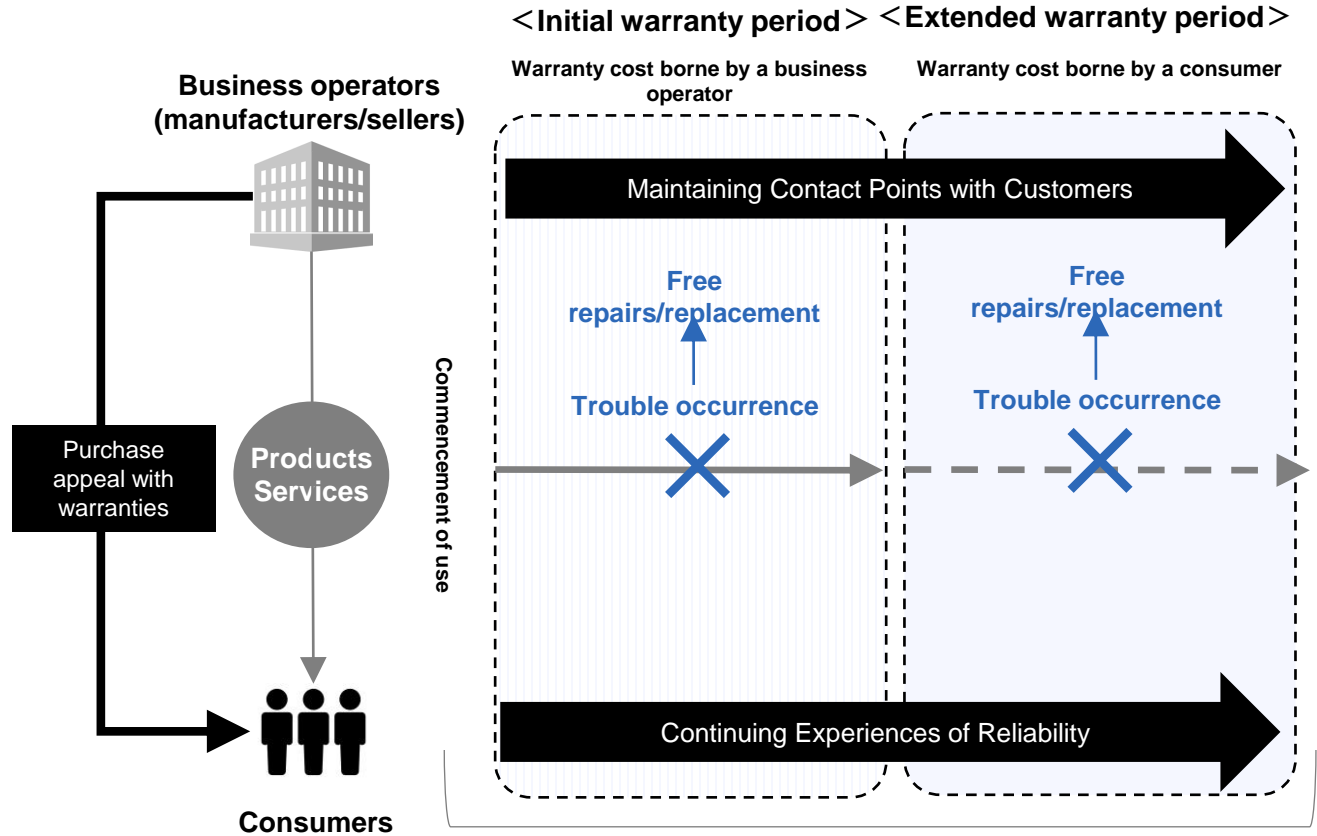
What is Warranty?

Purpose and Outline of the Warranty Service

- By attaching warranties to products/services, consumers can receive services like free repairs/replacement when prescribed trouble occurs.
- Two broad warranty services:
 - A business operator bears warranty cost and extends the initial standard warranty period longer.
 - A consumer bears warranty cost on a voluntary participation basis
- We grasp the need of business operators considering introducing a warranty system, and provide agency services and support for the building of an appropriate warranty system and business operations.
- Warranty system management involves backup nonlife insurance contract conclusion/management and operations, requiring advanced expertise.
- In particular, as we have the function of supporting assessment operations of nonlife insurance firms through tie-ups with them, it is possible to operate the warranty system on a stable and continuous basis.

Sales promotion/customer contact points for business operators

Reliable experiences for customers



- Design/build warranty systems in accordance with the needs of companies
 - e.g. Lengthen the initial warranty at the expense of manufacturers/sellers
 - e.g. Offer the extended warranty service at the cost of consumers
- Undertake business operations and provide CRM support



Solutions We Offer

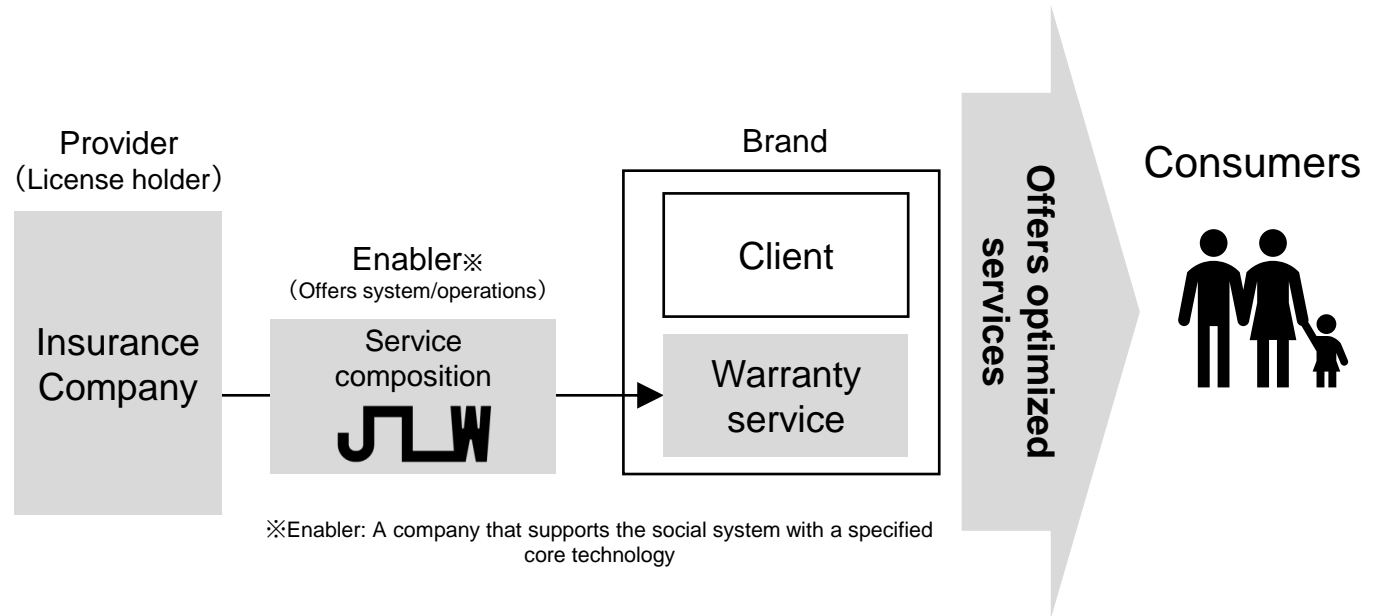
- We offer three types of solutions by adding finance and operations to warranties, where our strength lies.
- All solutions require advanced expertise, and our greatest strength is that we can offer them as a one-stop service by leveraging our past experiences and knowledge.
- We support business operators in realizing their sales/CRM strategies by offering various solutions tailored to their needs.
- In recent years, we have further accelerated the development/provision of products that combine each solution with digital technology.
- We contribute to the realization of a sustainable society by supporting life cycles of products/services.



Offering of Warranty Function and Our Positioning

We offer the warranty infrastructure function as an Enabler

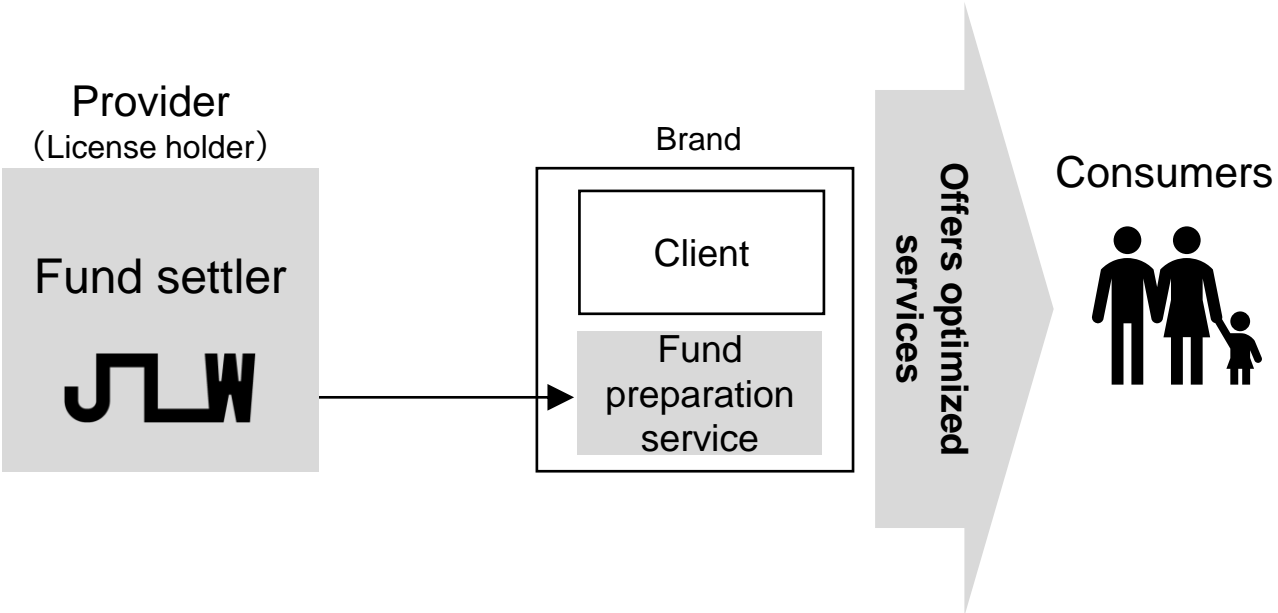
- We offer a warranty infrastructure based on close cooperation with insurance firms that have insurance business licenses.
- We position ourselves as a business partner instead of a subcontractor, as we have the system operations technology requiring advanced expertise.



Offering of Financial Function and Our Positioning

- Based on the license of an issuer of prepaid payment instruments (third person-type) registered with Living Point Inc., a subsidiary, we offer the fund settlement infrastructure customized for each client.
- By facilitating the introduction of the fund settlement infrastructure into the entire housing industry, we in particular promote the digital transformation of the housing industry that is trailing behind in the fund settlement area.

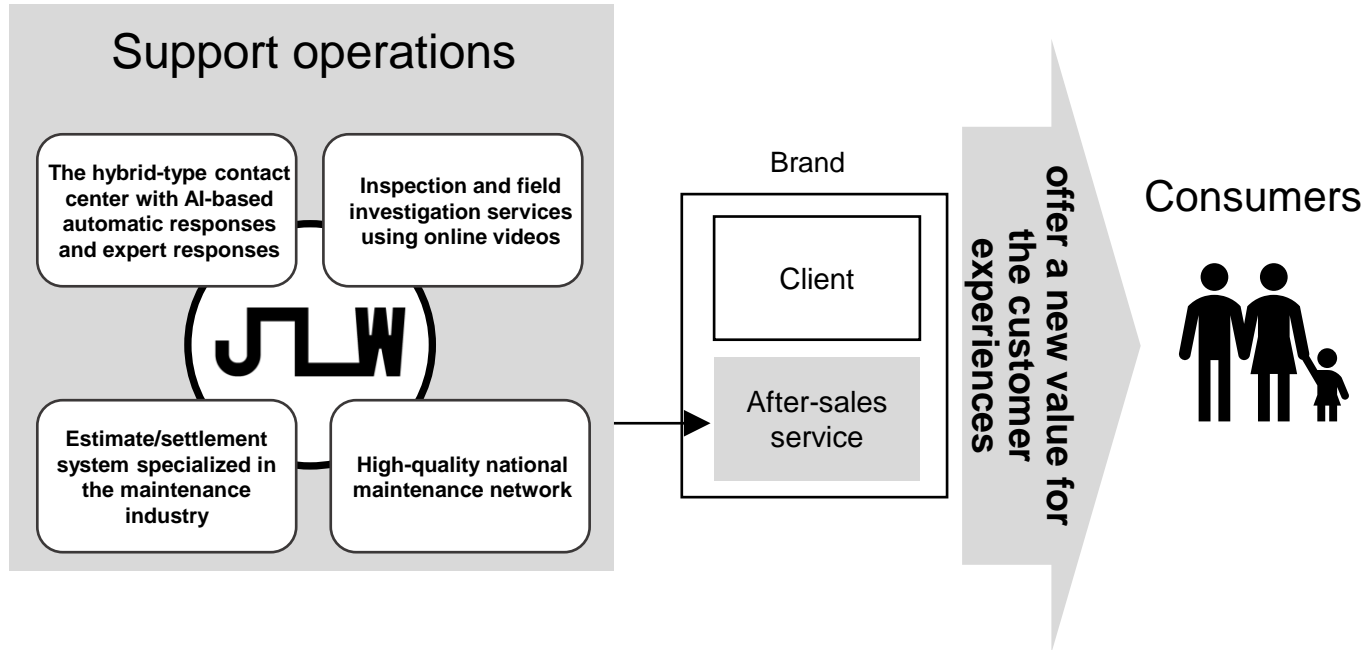
We offer the fund settlement infrastructure function as a Provider



Offering of Operational Function and Our Positioning

- We offer the value of our unique customer experiences, as well as the improved efficiency of business operators, through our operational services that combine and leverage the advantages of both real-world and digital services to the maximum extent possible.

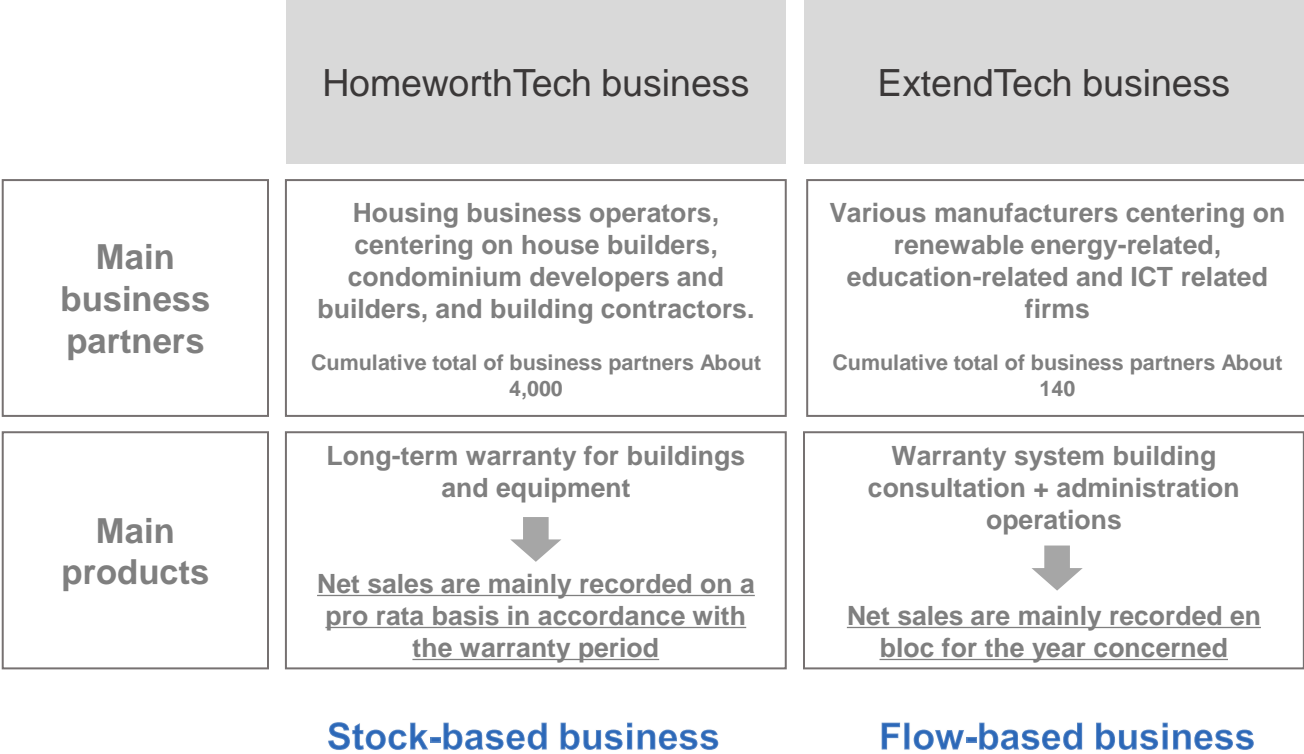
We offer a new value for the customer experiences by combining real-world and digital services



Business Composition

- We undertake “HomeworthTech business” that specializes in the housing/real estate area and “ExtendTech business” that broadly covers non-housing areas.
- For “HomeworthTech business” where we often serve as a joint guarantor, net sales are mainly recorded on a pro rata basis in accordance with the warranty period. Thus, it is the stock-based business.
- For “ExtendTech business” that mainly covers system building and administration operations, net sales are mainly recorded en bloc for the fiscal year concerned. Thus, it is the flow-based business.
- The hybrid management of the two businesses with different earnings structures makes it possible for corporate management to be well-balanced between short-term earnings and medium- and long-term growth investment.

Characterized by the Hybrid Management of Stock-Based and Flow-Based Businesses

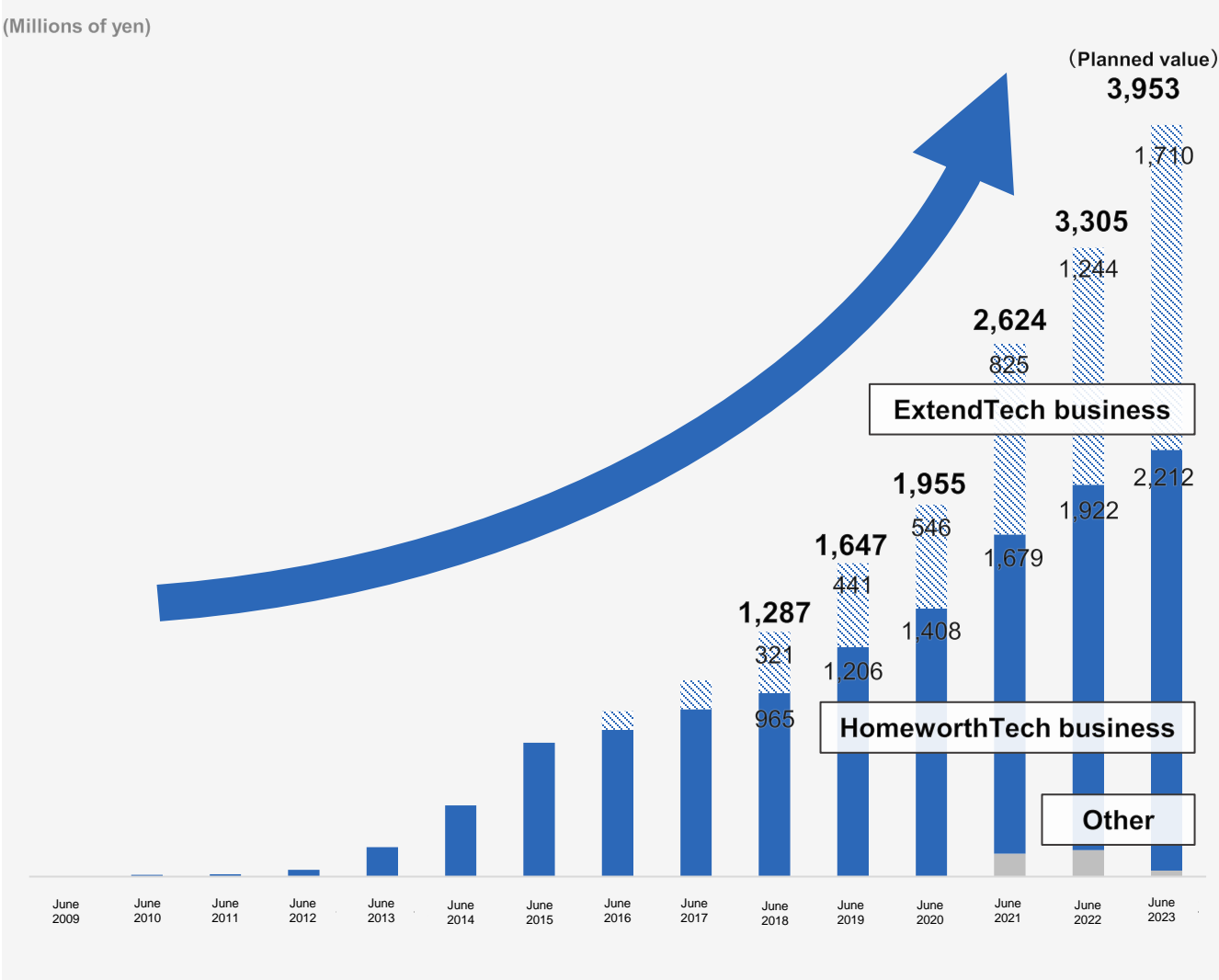


Net Sales

Past trends

- We are continuing the 14th straight year of higher net sales, led by our original “HomeworthTech business” (housing area) and the “ExtendTech business” (non housing area) that has been rapidly expanding its financial performance.
- We realized our rapid growth and expanded market shares by creating the industry’s first services one after another.

We achieved high net sales for the 14th consecutive year since the company’s foundation



※We have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, dated March 31, 2020) from the beginning of the fiscal year ended June 2022, and for the fiscal year ended in June 2021, we stated the figures obtained by the retroactive application of the Accounting Standard.

Financial Results

Summary of the Consolidated Financial Results for Q1 of the Fiscal Year Ending in June 2023

Steady progress as planned at the beginning of the year as we promote the bolstering of the foundation for business expansion

- Net sales and profits both advanced as planned at the beginning of the year. We also continued to promote the bolstering of the base for business expansion.
- Factors for lower profits on lower net sales YoY
 - In the same period of the previous fiscal year, there was a large one-time contract in the educational ICT areas in the ExtendTech business.
 - In the wake of the higher probability of future business expansion, the Company proactively continued to carry out upfront investment in the human resources/system areas.
- We saw progress as planned as against the first-half and full-year forecasts.

	Q1 of the Year ending June 2023 (2022.7~2022.9)		YoY		Forecast for Q2 of the ending June 2023 (2022.7~2022.12)	Forecast for the full year ending June 2023 (2022.7~2023.6)
Net sales	835 Millions of yen	△60 Millions of yen	93.2%		1,733 Millions of yen	3,953 Millions of yen
Operating profit	133 Millions of yen	△196 Millions of yen	40.4%		289 Millions of yen	860 Millions of yen
Ordinary profit	171 Millions of yen	△178 Millions of yen	48.9%		360 Millions of yen	1,010 Millions of yen
Net income attributable to parent company shareholders	119 Millions of yen	△118 Millions of yen	50.3%		243 Millions of yen	685 Millions of yen

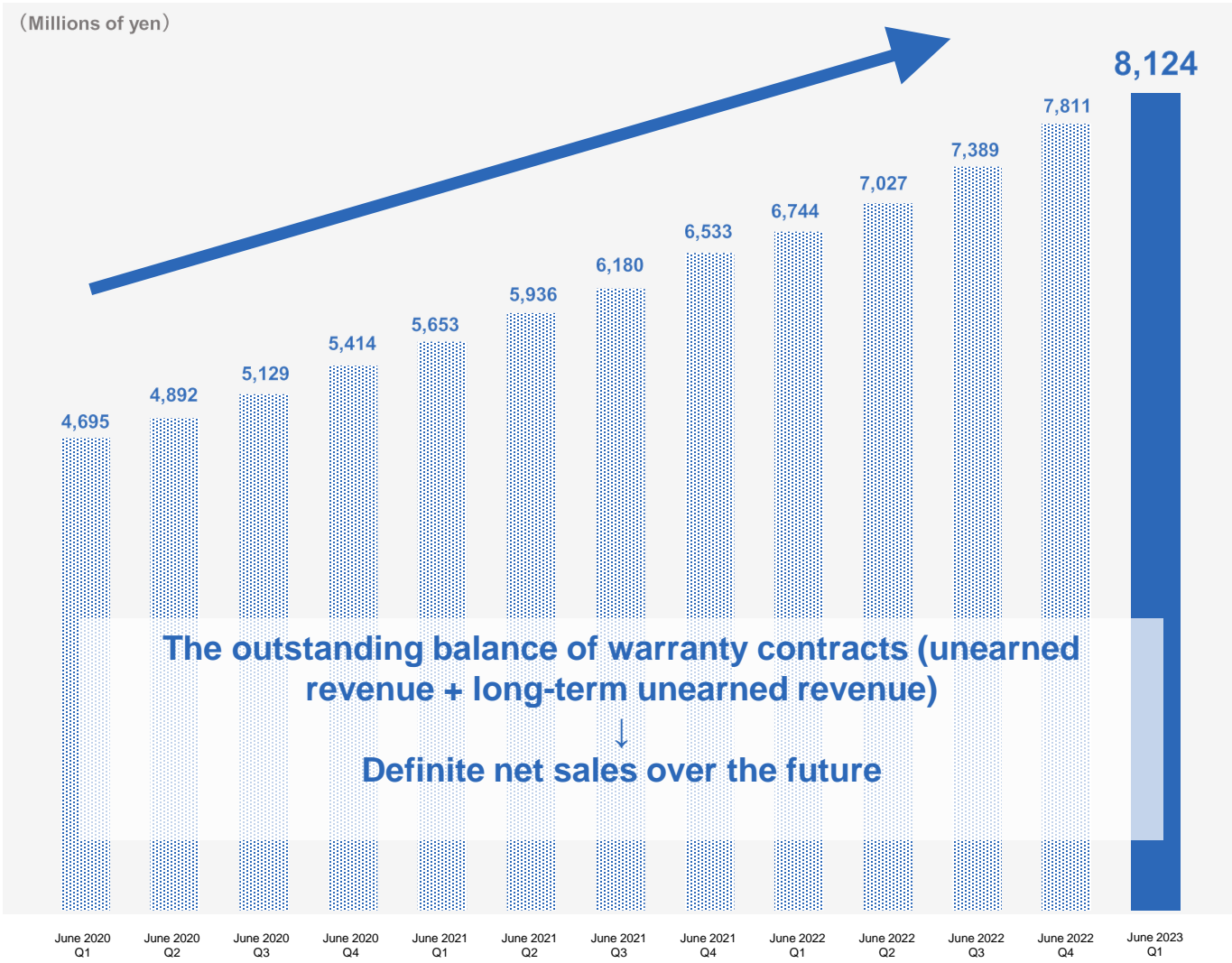
Warranty Solutions

Balance of warranty service contracts※

※HomeworthTech business

- The balance of warranty service contracts, a major KPI in the HomeworthTech business, exceeded 8.1 billion yen at the end of the first quarter, setting a record high.
- Of guarantee fee revenues, those not yet recorded as net sales were recorded as unearned revenue + long-term unearned revenue on the balance sheet.
- The outstanding balance of warranty contracts means definite net sales over the future, and thus the balance will be recorded as net sales sequentially to underpin future profitability.

The outstanding balance of warranty contracts exceeded 8.1 billion yen at the end of Q1 of the fiscal year ending in June 2022



※We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, dated March 31, 2020) from the beginning of the fiscal year ended in June 2022.

Q1 of the Fiscal Year Ending in June 2023 Net Sales by Segment

- Net sales saw progress in all segments as planned at the beginning of the year.
- The ExtendTech business saw a drop in net sales, as there was a large one-time contract in the educational ICT area a year before.
- There was a one-time impact on sales from the simultaneous introduction of educational ICT equipment into elementary and junior high schools under the GIGA School policy in the first quarter of the year ended in June 2022.
- With respect to the other businesses, we transferred all shares in Yokohama House as of June 30, 2022, and excluded it from the Company's consolidated subsidiaries.

Acquisition of housing-related warranties favorable Progress made as planned, including other business

	Q1 of the year ended in June 2022 (2021.7~2021.9)	Q1 of the year ending in June 2022 (2022.7~2022.9)	YoY	
Net sales	895 Millions of yen	835 Millions of yen	△60 Millions of yen	93.2%
HomeworthTech business	447 Millions of yen	509 Millions of yen	+62 Millions of yen	113.9%
ExtendTech business	425 Millions of yen	313 Millions of yen	△111 Millions of yen	73.7%
Other	23 Millions of yen	11 Millions of yen	△11 Millions of yen	50.6%

Q1 of the Fiscal Year Ending in June 2023 Operating Profit / Loss by segment

Progress as planned at the beginning of the year, with a profit drop YoY due to an upfront investment to bolster the business base

- Operating profit/loss showing progress as planned at the beginning of the year in all segments.
- For long-term warranty contracts in the HomeworthTech business, the earnings structure tends to squeeze earnings in a business expansion period as net sales and the cost of sales are mainly recorded on a pro rata basis in accordance with the warranty period, while selling, general and administrative expenses are mainly recorded en bloc for the fiscal year concerned.
- The ExtendTech business incurred a profit drop as the business was affected by a large one-time contract in the educational ICT area a year before.
- There was a one-time impact on operating profit/loss from the simultaneous introduction of educational ICT equipment into elementary and junior high schools under the GIGA School policy in the first quarter of the year ended in June 2022.

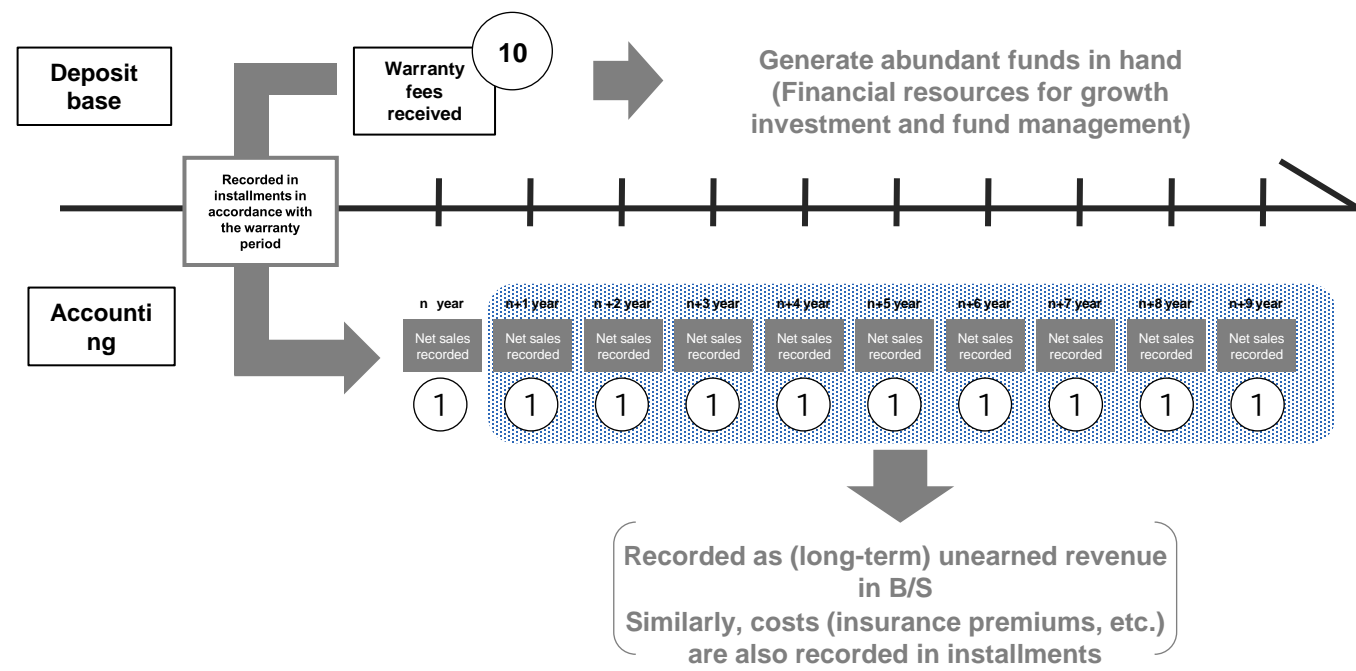
	Q1 of the year ended in June 2022 (2021.7~2021.9)	Q1 of the year ending in June 2022 (2022.7~2022.9)	YoY	
			Change	Rate
Operating Profit/loss	329 Millions of yen	133 Millions of yen	△196 Millions of yen	40.4%
HomeworthTech business	31 Millions of yen	4 Millions of yen	△27 Millions of yen	13.4%
ExtendTech business	299 Millions of yen	134 Millions of yen	△165 Millions of yen	44.8%
Other	△1 Millions of yen	△5 Millions of yen	△3 Millions of yen	—

HomeworthTech business Accounting Treatment Structure of Long-term Warranty Contracts

- With respect to long-term warranty contracts in the HomeworthTech business, while net sales and costs are recorded on a pro rata basis in accordance with the warranty period, selling, general and administrative expenses are recorded en bloc, making the Company's earnings structure into one that tends to see profits squeezed in the initial stage of business.
- The maturing of business (an increase in an outstanding balance of warranty contracts) has turned it into the long-term stable earning structure.
- Long-term warranty contracts generate abundant funds in hand as warranty fees are obtained en bloc at the time of conclusion of contracts.
- Abundant funds arising from long-term warranty contracts can be used for proactive growth investment and asset management.

Long-term warranty services have the structure that tends to see profits squeezed in the initial stage of business due to accounting treatment

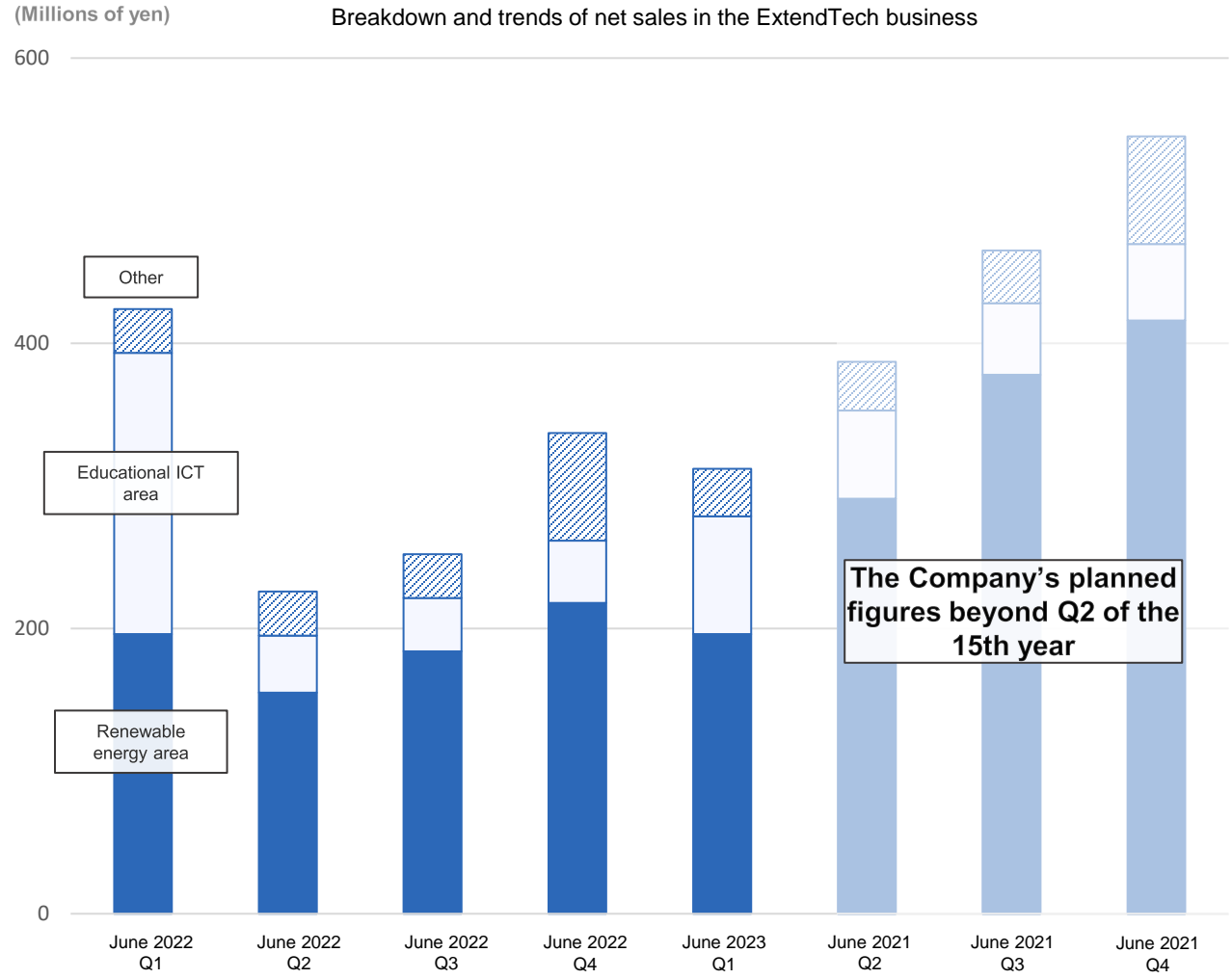
(Example) the case where warranty fees for the 10-year equipment warranty are received en bloc in the n year.



ExtendTech business Trends of Net Sales and Outlook

- Net sales expected to rise YoY in Q2 and beyond, despite Q1 seeing a drop due to the impact of a large one-time contract in the educational ICT area a year before.
- In the renewable energy area, we expect to see progress in performance in the wake of mounting demand particularly for storage batteries for housing.
- The warranty service for private-brand home electronics of a major furniture manufacturer / retailer likely to begin in earnest in Q2.
- An increase in net sales likely for the ExtendTech business as a whole.

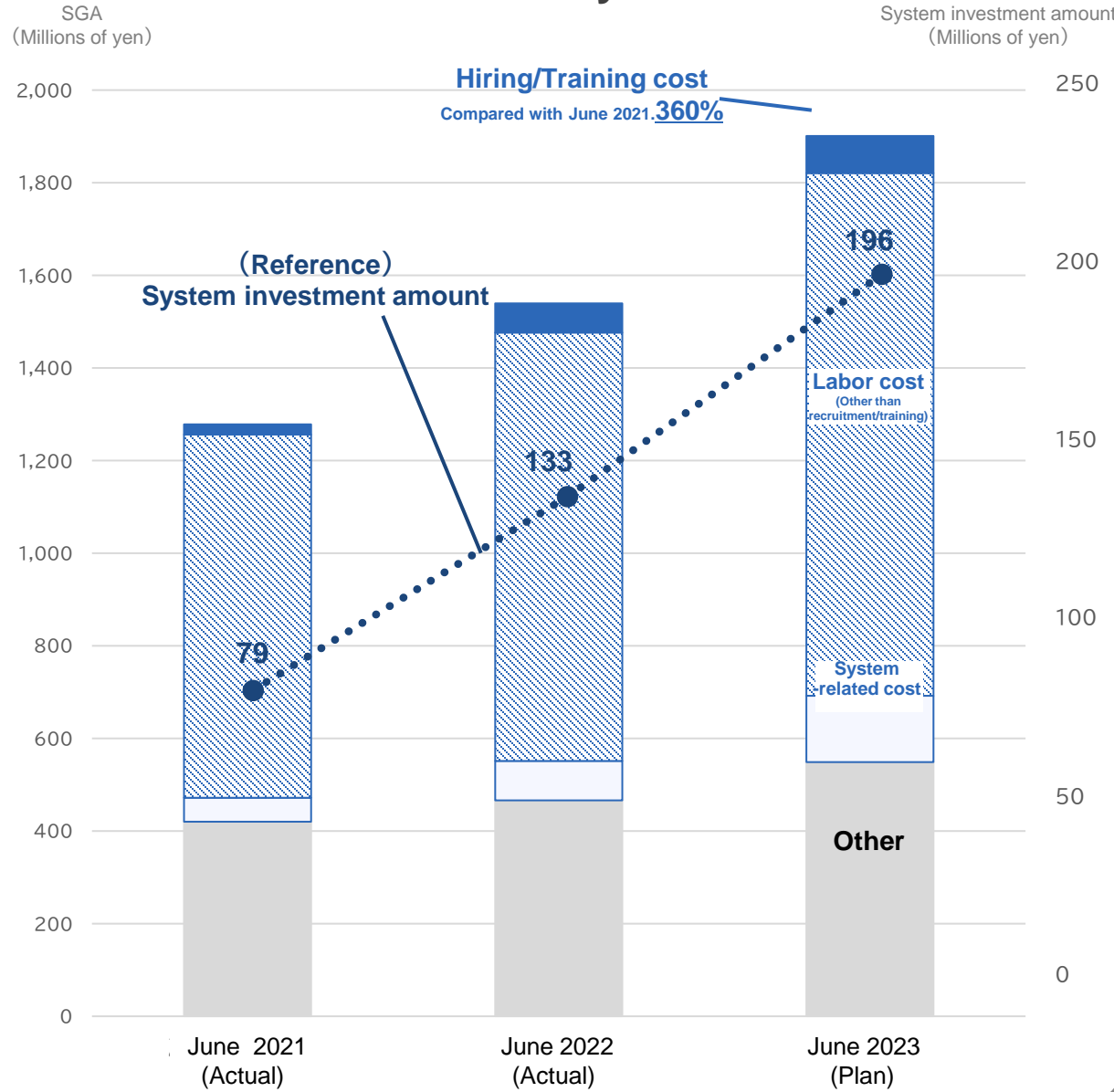
Net sales likely to expand, centering on the renewable energy sector



Further enhancement of human resources / system investment

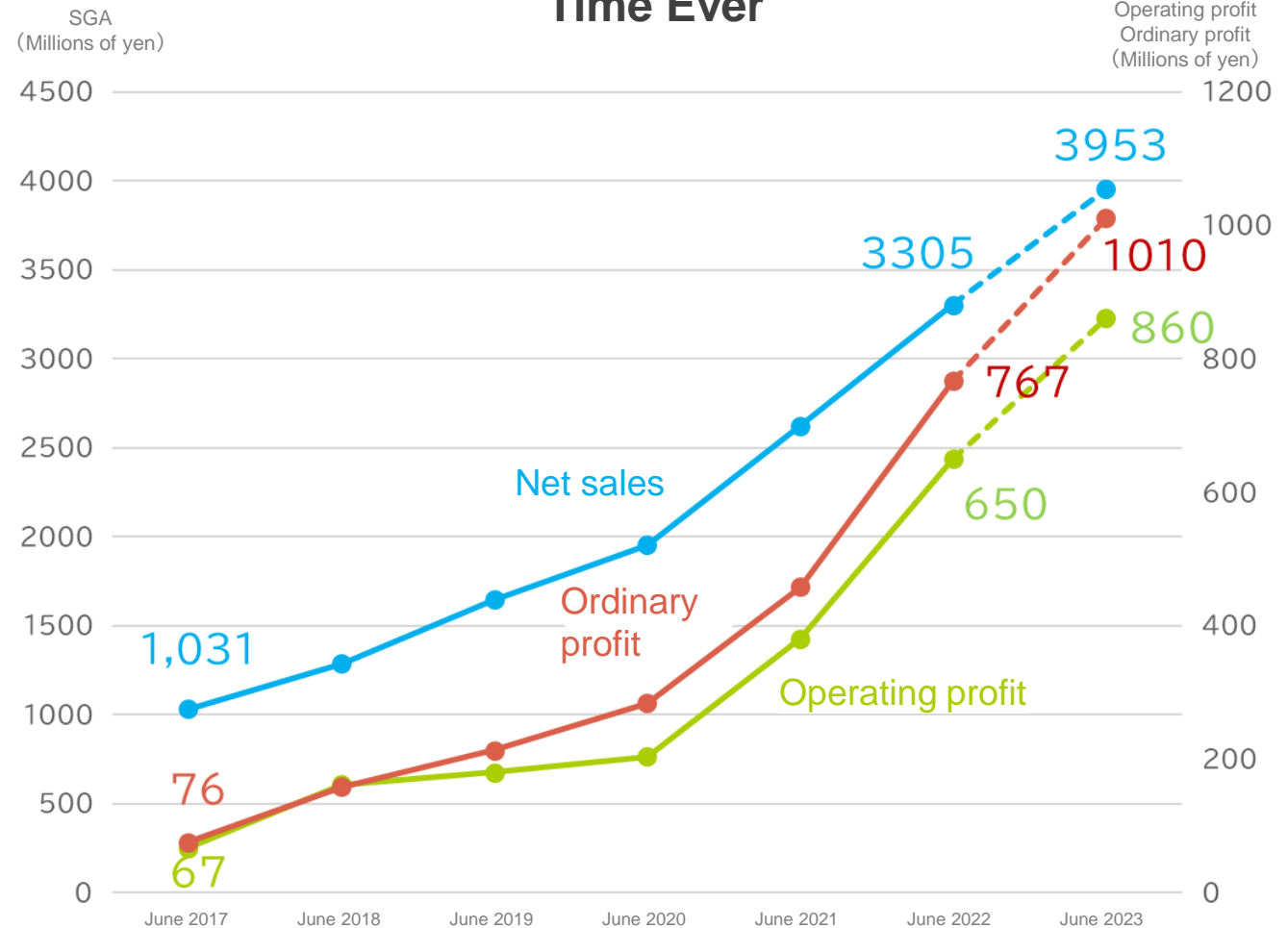
- Will continuously enhance investment in human resources/systems in response to the rising probability of business expansion going forward.
- Will simultaneously proceed with the securing and nurturing of human resources and strategic system/planning human resources in response to expanding market shares.
- Will partially review salaries and other benefits to deal with inflation in the domestic economy and also from the standpoint of securing qualified human resources.
- Will accelerate investment in digital products and development of operational support systems.
- We made investments as planned at the beginning of Q1 of the year ending in June 2023.

Will continue thorough proactive investment in human resources/systems



Forecast for the Consolidated Financial Results for the Fiscal Year Ending in June 2023

Expect to see significantly higher Sales/Operating Profit YoY Ordinary Profit likely to Exceed 1 Billion Yen for the First Time Ever



- Smooth order receipts from the second half of the previous year to the first half of the current year are likely to gradually contribute to net sales and profits following the commencement of the system, and thus we plan significantly higher profits on substantially larger sales/operating profit YoY.
- With accumulated stock-based net sales and profits also underpinning, we expect ordinary profit to surpass one billion yen for the first time ever.

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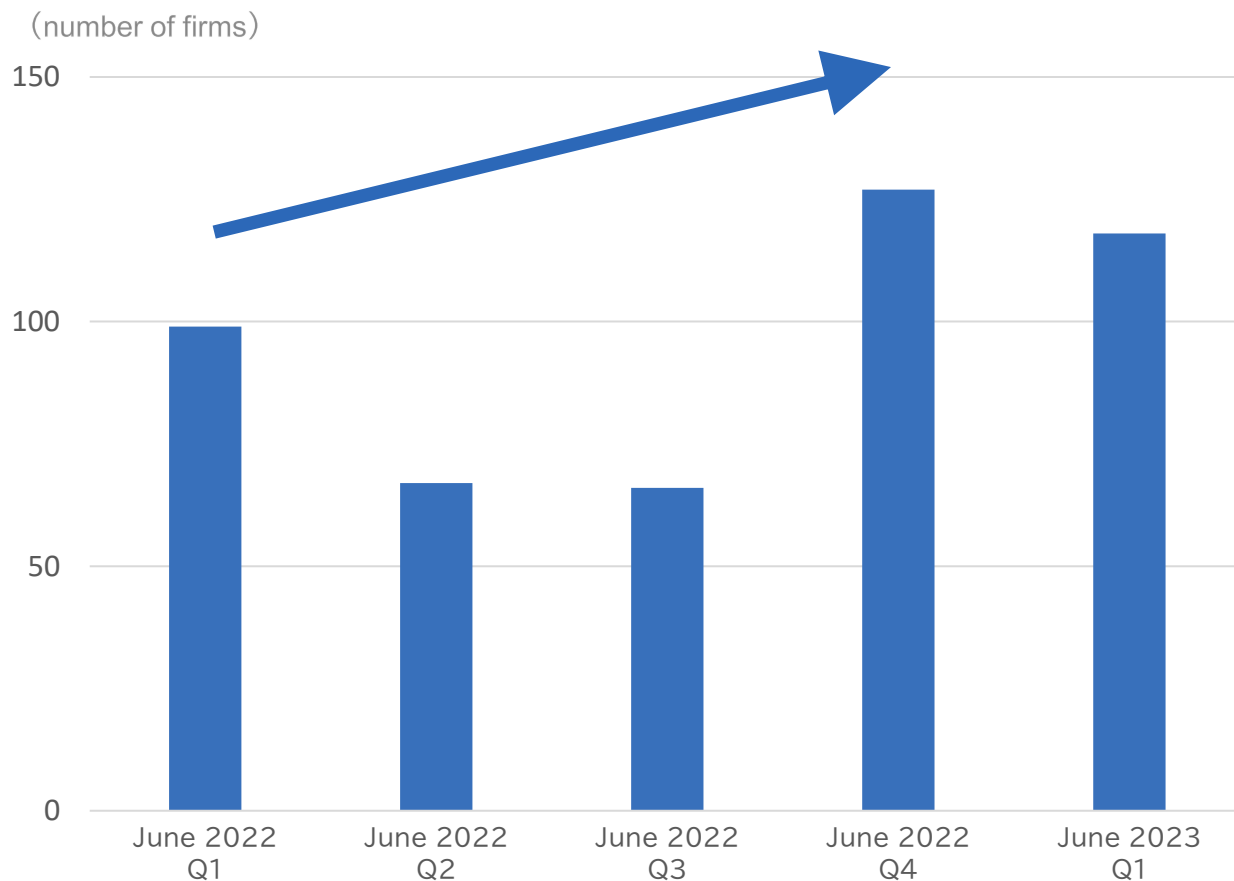
Topics

Topics ①

Smooth progress of the HomeworthTech business

- The number of firms placing new (additional) orders with us in the HomeworthTech business maintained a high level of over 100 in the latest two quarters
- In order to expand our market share for the HomeworthTech business as soon as possible, we have bolstered human resources and promoted the improvement of services provided, including digital products. The results could be seen in the high number of new clients.
- We will strive to establish our solid position in the industry by investing in human resources / systems and enhancing our product development capabilities.

Number of firms placing new service orders maintains high level



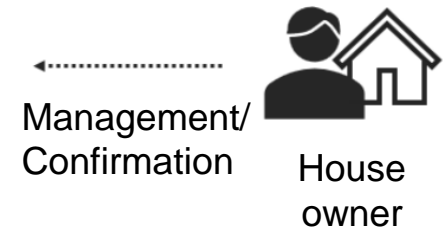
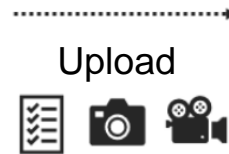
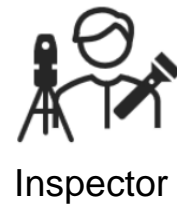
Topics ②

New Digital Product “OUCHI Album”

We have released “OUCHI Album,” a House Maintenance History Management Application

- We started offering “OUCHI Album,” an application that can manage the history of house maintenance, in November 2022.
- Through “OUCHI Album,” house owners can have access to videos and photos from when we conduct house inspections as well as reports on the results of inspections and repair advice, through their smartphones.
- In the future, we aim to realize a mechanism that leads to an increase in the value of property by appropriately recording maintenance history through “OUCHI Album.”

OUCHI Album



Topics ③

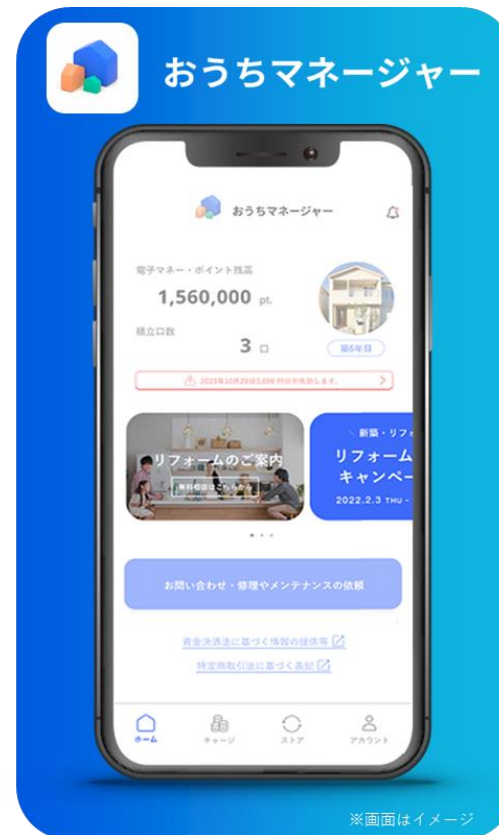
Digital Product

“Ouchi Manager”

“Ouchi Manager” received the Good Design Award※

※Sponsor: the Japan Institute of Design Promotion

GOOD DESIGN AWARD 2022



- “Ouchi Manager,” the application launched in October 2021 that connects housing business operators and house owners, has won the Good Design Award 2022.
- The digital product is our solution in the financial area that realizes embedded finance in the housing industry.
- This matches the needs of housing business operators and house owners with simple visibility and operability.
- The unused balance of electronic money has already topped 1.9 billion yen following a large number of introductions/operation commencements.
- We will continue our efforts toward the digital transformation of the housing industry and the lengthening of house life.

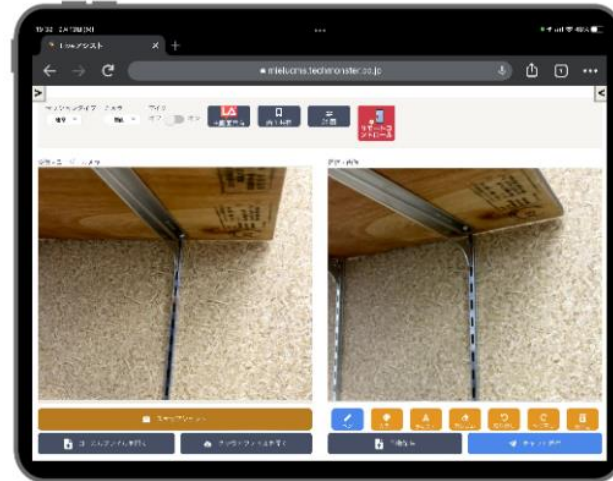
Topics ④

New Digital Product “Ouchi Live Assist”

We are set to release “Ouchi Live Assist”※ in February 2023

※Online field survey service

- We concluded a capital and business tie-up agreement with TECH MONSTER in September 2022.
- We are jointly developing the new service, “Ouchi Live Assist,” that simplifies a field survey itinerary, and are due to release it in February 2022.
- The new service got off to a good start, obtaining informal consent to the introduction from multiple major business operators in pre-marketing efforts, being implemented in parallel with the development work.



Person accepting a request for maintenance



Communication using video call and useful tools



Client requesting maintenance

All pictures used are provided for illustrative purposes only.

Disclaimer

We have prepared this document solely for the purpose of offering general information about Japan Living Warranty Inc. (hereinafter referred to as “the Company”), and not for the purpose of soliciting investment in shares or other securities issued by the Company.

The Company’s financial results, plans, estimates, forecasts and other information pertaining to the future stated in this document are information currently available or the Company’s current judgment and thinking, and contain uncertainties that could lead in effect to the results different from such descriptions.

This document has been prepared on the basis of economic, social and other conditions generally recognized at the present, and may be altered without any notice for reasons such as changes in the economic situation.

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